

RESPONSE TO SEEK ISSUES AUGENBLICK REPORT AND OTHERS

1. Is SEEK's Tier I well designed to deliver adequate resources to Kentucky school districts?

APA Recommendation	Staff Comment	Staff Recommendation	Cost
Augenblick, Palaich and Associates, Inc. (APA) recommends that the best, long-term solution is for the state to raise the SEEK base to an adequate level. If this were to occur, the 150 percent equalization rate would remain the same, and the 15 percent Tier 1 limit would remain intact and could act as a true, additional funding float over the base. Raising the base to an adequate level could require a large infusion of state funds into the SEEK system. If, in the near term, the state is only able to commit a smaller amount of new funds, one option is to raise the 15 percent Tier I limit. Focusing on the Tier I limit would have the advantage of more efficiently targeting scarce new resources to those districts most in need of assistance. The state should be aware, however, that any such adjustment to Tier I will open the door to greater disparities and inequities between districts. APA therefore does not believe it is advisable to raise the Tier I limit by more than 5 percent.	Pursuant to the APA recommendation, the KBE is encouraged to focus on raising the SEEK base to an adequate level.	Increasing the SEEK base should be a KBE priority for the 2008-10 Budget Request, thus requiring no action for the 2007 Session.	N/A

2. How should SEEK count and measure district wealth?

APA Recommendation	Staff Comment	Staff Recommendation	Cost
APA believes there are several arguments to be made for maintaining Kentucky's property-wealth-based system as it currently operates.	Staff concurs.	No action needed.	N/A
When the state grants property tax exemptions it should reimburse the affected districts for the lost revenues.	The state does not grant property tax exemptions for school taxes.	No action needed.	N/A

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3. Does SEEK provide adequate cost weights for students and districts?

APA Recommendation	Staff Comment	Staff Recommendation	Cost
Findings from numerous studies conducted over the past ten years indicate that Kentucky's weights for students with special needs are <i>significantly below</i> the levels generally required in other states to meet the demands of adequacy. The Limited English Proficient (LEP) and at-risk weights appear to be particularly low and should be revised. Kentucky should also consider expanding its definition of at-risk students as those who qualify for either a free or reduced price lunch instead of the current definition of free lunch only. This is the definition now commonly used in many states.	Pursuant to the information provided by APA, LEP should range from .40 to 1.25. KY will be at .096 next fiscal year. At-risk is recommended to be between .25 and .60 to include free and reduced lunches. KY is presently at .15 for free lunches only.	The LEP weight is not statutory and should become part of the 2007 legislation. The at-risk weight should include free and reduced lunches and should be part of the 2007 legislation. What each of the weights should be can be deferred to 2008 and handled through the budget.	LEP to .4 would be approx. \$13 million. Adding reduced lunch to at-risk would be approx. \$30 million. Moving free and reduced to .25 would be approx. \$152 million.
Regarding cost weights for districts, our studies have found that district size is a clear driver of cost. Kentucky should therefore conduct a study to help calculate and add cost adjustments to SEEK to reflect district size differences. Assuming SEEK is adjusted to account for differences in district size, APA does not believe additional changes are needed to also reflect whether a district is urban, rural, residential, or industrial.	The study was conducted and APA determined the weights should be as reflected in the chart below:	Staff does not support this due to the inequity it would impose on the system. While we struggle as a state to adequately fund the base, it seems hard to justify spending \$90 million that would only affect select districts. There is also the public policy issue on the efficiency of small districts.	Approx. \$91.4 million.

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District Enrollment	Size Adjustment Factor
100	1.718
300	1.239
500	1.143
1,000	1.071
3,000	1.023
7,000	1.009
10,000	1.006
15,000	1.004
25,000	1.002
50,000	1.000
75,000	1.000

4. Should mandated teacher salary increases be funded through the SEEK formula, and if so, what increase in the SEEK base is sufficient to support the salary mandates?

APA Recommendation	Staff Comment	Staff Recommendation	Cost
Kentucky should fund mandated teacher salary increases through the SEEK system. If this is not possible, the state should, at a minimum, consider including a regional cost factor in SEEK. Such a factor would help take into account salary differences that may be the result of the higher (or lower) living costs that exist in certain areas of the state.	Staff concurs salaries should continue to be funded through SEEK. Additional work completed by APA recommends regional cost adjustment factors ranging from 78-119%.	Staff does not support this due to the inequity this would impose on the system. Again, supporting increasing the base is something that benefits all districts, not just a few.	A cost estimate will be provided at the December KBE meeting.

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5. Should provisions be made to address districts with extraordinary growth or loss in student population or property wealth?

APA Recommendation	Staff Comment	Staff Recommendation	Cost
<p>Regarding extraordinary changes in property wealth:</p> <ul style="list-style-type: none"> APA's analysis shows that, even with the operation of HB 44, the SEEK system is treating districts in an overall equitable fashion and does not need to be changed. To address any anomalies in how SEEK interacts with HB 44, the state should consider altering SEEK so that it views all districts in terms of their <i>accessible</i> property value. In other words, even if a district's property wealth increased beyond four percent in a given year, SEEK would view that district to have grown only by HB 44's limit of four percent. 	<p>This is an ongoing problem for districts. Spikes in assessments cannot be controlled by the district and are realized after the preparation of the Tentative Working Budget.</p>	<p>Staff recommends there be a technical amendment made to the definition of assessment to define assessment as <i>accessible</i> assessment.</p>	<p>A cost estimate will be provided at the December KBE meeting.</p>

6. Should tuition be charged for students who attend district schools but are not district residents?

APA Recommendation	Staff Comment	Staff Recommendation	Cost
<p>There is no reason to charge tuition for the state portion of the cost for non-district residents. With regard to covering the local portion of a receiving district's cost, APA recommends that the district where the student resides pay the full local cost for the child's education (including all local costs required by the SEEK base, Tier 1, and Tier 2). The state should also explore the extent to which administrative costs in a receiving district might change as the result of its taking on additional, non-resident students.</p>	<p>At issue is whether a tuition policy should be mandated by the state.</p>	<p>Staff recommends against a state policy on tuition other than for low-performing districts. Staff recommends low-performing districts be required to charge tuition at a rate equal to the local revenue per pupil capped at the higher of the sending or receiving district.</p>	<p>No cost to the state.</p>

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7. Can SEEK's treatment of transportation funding be improved?

Staff recommends the KBE defer judgment until the completion of a study by LRC.

Other issues:

Other Issues	Staff Comment	Staff Recommendation	Cost
SEEK adjustment for receipt of "In-Lieu-Of" Taxes	Districts sometimes receive funds for revenues lost due to property not being taxed, i.e., federal property.	Staff recommends in-lieu-of receipts be factored into SEEK incrementally over several years.	Savings at the state level.
SEEK adjustment for receipt of Federal Impact Aid	The amount of money statewide in Federal Impact Aid is insignificant.	Staff recommends no action.	None